

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Jeffery Allen Vaughn (CRD No. 2124515),

Respondent.

DISCIPLINARY PROCEEDING
NO. 2013037097602

Hearing Officer - KW

AMENDED COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Jeffery Allen Vaughn ("Vaughn" or "Respondent") failed to timely respond to FINRA's requests for information and documents made pursuant to FINRA Rule 8210 in violation of FINRA Rules 8210 and 2010.
2. Vaughn willfully caused the filing of false and misleading information in the Disclosure Reporting Pages ("DRP") section of his Uniform Application for Securities Industry Registration ("Form U4") regarding the basis for his previous suspension from association with FINRA member firms in contravention of Article V, Section 2 of FINRA's By-Laws and in violation of FINRA Rules 1122 and 2010.
3. Vaughn provided false information to his firm, Horner, Townsend and Kent, Inc. (BD No. 4031) ("HTK") about the basis for his previous suspension from association with FINRA member firms in violation of FINRA Rule 2010.

4. Vaughn willfully failed to timely disclose two unsatisfied Ohio state tax liens on his Form U4 in contravention of Article V, Section 2 of FINRA's By-Laws and in violation of FINRA Rules 1122 and 2010.
5. Vaughn willfully failed to timely disclose that he executed a consent order with the State of Ohio Department of Insurance on his Form U4 in contravention of Article V, Section 2 of FINRA's By-Laws and in violation of FINRA Rules 1122 and 2010.
6. Vaughn failed to respond to FINRA's post-Complaint requests for information and documents made pursuant to FINRA Rule 8210 in violation of FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

7. Vaughn first became associated with a FINRA member firm in 1991. He obtained his Investment Company and Variable Contracts Products Representative (Series 6) license in June 1991 and Direct Participation Programs Limited Representative (Series 22) license in October 1991.
8. Vaughn was associated with two member firms prior to November 21, 2005, when he became associated with FINRA member firm Commonwealth Financial Network (BD No. 8032) ("Commonwealth"). Vaughn remained associated with Commonwealth until May 28, 2013.
9. On April 29, 2014, Vaughn became associated with member firm HTK. He remained associated with HTK until March 2, 2016.
10. Although Vaughn is no longer associated with a FINRA member firm, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of

FINRA's By-Laws, because (1) this Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member firm and (2) this Complaint charges him with misconduct committed while he was associated with FINRA member firms and with failing to respond to FINRA requests for information during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member firm.

FIRST CAUSE OF ACTION
Failure to Timely Respond to Requests for Documents and Information
(FINRA Rules 8210 and 2010) (2013 Requests)

11. The Department realleges and incorporates by reference paragraphs 1 through 10 above.
12. FINRA Rule 8210 requires associated persons to respond truthfully and in a timely fashion to requests for information.
13. On May 28, 2013, Commonwealth filed a Form U5 for Vaughn, stating that he had been terminated on May 13, 2013, due to "outstanding tax obligations."
14. On June 21, 2013, in connection with an inquiry into the Form U5 filed by Commonwealth, FINRA Central Review Group ("CRG") staff sent Vaughn a request letter, pursuant to FINRA Rule 8210, to his CRD address by certified and first class mail. The letter asked that Vaughn provide certain information and documents, including a written explanation as to why he was late reporting tax liens on his Form U4 and documents related to the tax liens. The letter required a response by July 5, 2013.
15. The first class letter was not returned. The certified letter was unclaimed and returned to CRG staff on July 22, 2013.
16. Vaughn did not respond to the request letter by the due date of July 5, 2013.

17. On July 9, 2013, CRG staff sent a second request letter to Vaughn, pursuant to FINRA Rule 8210, by certified and first class mail to his CRD address seeking the same information sought in the June 21, 2013 letter. The July 9, 2013 letter required that Vaughn provide a response by July 23, 2013.
18. Again, the first class letter was not returned and the certified letter was unclaimed and returned to CRG staff on August 12, 2013.
19. Vaughn did not respond to the second request letter by the due date of July 23, 2013.
20. On July 29, 2013, CRG staff sent a third request letter to Vaughn, pursuant to FINRA Rule 8210, by certified and first class mail to his CRD address seeking the same information sought in the June 21, 2013 and July 9, 2013 letters. The July 29, 2013 letter required that Vaughn provide a response by August 12, 2013.
21. The first class letter was not returned. Also, the certified mail return receipt for the third request letter was signed by Vaughn's wife, Lindsay Vaughn.
22. Vaughn did not respond to the third request letter by the due date of August 12, 2013.
23. After receiving a letter from FINRA dated October 8, 2013 notifying Vaughn that this matter was being referred to FINRA Enforcement for further investigation, Vaughn contacted the FINRA staff member who sent the letter (and all three 8210 request letters) by email on November 5, 2013.
24. In his first email to FINRA staff on November 5, 2013, Vaughn wrote, among other things, that the October 8 request letter was the first correspondence he had received from FINRA regarding this matter and that, "I will be glad to provide any information to you post haste!!!"

25. In his second email to FINRA staff on November 5, 2013, Vaughn wrote, among other things, "I'm more than willing to cooperate in any way that I can..."
26. In response to Vaughn's second email, on November 6, 2013, FINRA staff emailed to Vaughn at the same email address with which he had corresponded with FINRA staff copies of the three FINRA Rule 8210 request letters dated June 21, 2013, July 9, 2013 and July 29, 2013.
27. Vaughn received the email with the attached FINRA Rule 8210 request letters on November 6, 2013.
28. By December 18, 2013, Vaughn still had not responded to FINRA's three 8210 request letters.
29. As a result of Vaughn's failure to respond to the CRG staff's three FINRA Rule 8210 request letters, on December 18, 2013, FINRA staff initiated a FINRA Rule 9552 proceeding against Vaughn. The Notice of Suspension was served by FedEx and first class mail to Vaughn's CRD address. The Notice of Suspension was also emailed to Vaughn.
30. The Notice of Suspension stated, among other things, that Vaughn would be suspended from associating with any FINRA member firm in any capacity unless he complied with the FINRA Rule 8210 requests of June 21, 2013, July 9, 2013 and July 29, 2013, prior to the suspension date of January 13, 2014.
31. Vaughn did not respond to the Rule 8210 requests by the suspension date of January 13, 2014.
32. On January 13, 2014, Vaughn was suspended from associating with any FINRA member firm pursuant to FINRA Rule 9552. The Suspension from Association letter was served by

FedEx and first class mail to Vaughn's CRD address. The Suspension from Association letter was also emailed to Vaughn.

33. The Suspension from Association letter stated, among other things, that Vaughn would be barred from associating with any FINRA member firm in any capacity unless he filed a written request for termination of the suspension on the grounds of full compliance with the Notice of Suspension letter dated December 18, 2013, prior to March 21, 2014.
34. On or about March 17, 2014, Enforcement staff received Vaughn's response to the FINRA Rule 8210 requests dated June 21, 2013, July 9, 2013 and July 29, 2013.
35. On or about March 24, 2014, Enforcement staff received Vaughn's written request for termination of the suspension from association.
36. On April 9, 2014, Enforcement staff terminated Vaughn's suspension from association.
37. Based on the foregoing, Vaughn violated FINRA Rules 8210 and 2010.

SECOND CAUSE OF ACTION

(Willful Filing of False and Misleading Form U4s)

(Article V, Section 2 of the FINRA By-Laws and FINRA Rules 1122 and 2010)

38. The Department realleges and incorporates by reference paragraphs 1 through 37 above.
39. Article V, Section 2 of FINRA's By-Laws requires member firms and associated persons to report certain disclosable events on Forms U4 and to keep the form updated and accurate.
40. FINRA Rule 1122 provides in relevant part that no member or associated person shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.

41. Question 14E(4) of the Form U4 asks, “Has any self-regulatory organization ever disciplined you by expelling or suspending you from membership, barring or suspending your association with its members, or restricting your activities?” If an affirmative answer is given to Question 14E(4), the registered person is required to provide details about the suspension or expulsion in a Regulatory Action DRP.
42. On April 29, 2014, HTK filed a Form U4 with FINRA for Vaughn to become associated with the firm. The Form U4 contained Vaughn’s electronic signature dated April 14, 2014.
43. Vaughn answered “no” to Question 14E(4) in his Form U4 filed on April 29, 2014.
44. On May 1, 2014, HTK filed an amendment to Vaughn’s Form U4 that changed his answer to question 14E(4) to “yes,” and included a Regulatory Action DRP to report the details of Vaughn’s January 13, 2014 suspension from association with any FINRA member firm.
45. The Form U4 amendment was signed electronically by Vaughn.
46. Section 14 of the Regulatory Action DRP included the comment, “RESPONDENT NEVER RECEIVED THE REQUEST FOR INFORMATION WAS TEMPORARILY SUSPENDED. [SIC] UPON LEARNING OF THE REQUEST FOR INFORMATION, RESPONDENT IMMEDIATELY PROVIDED THE REQUESTED INFORMATION & THE TEMPORARY SUSPENSION WAS IMMEDIATELY LIFTED ON APRIL 9, 2014.”
47. The comment in Section 14 of the Regulatory Action DRP section in Vaughn’s May 1, 2014 Form U4 amendment was materially false and misleading.
48. Vaughn received the requests for information pursuant to FINRA Rule 8210 that were the subject of the FINRA Rule 9552 proceeding against him no later than November 6, 2013.

49. Vaughn supplied the false and misleading information contained in his May 1, 2014 Form U4 amendment to HTK in a signed letter dated April 30, 2014.
50. The false and misleading information contained in the Regulatory Action DRP section of Vaughn's May 1, 2014 Form U4 amendment was repeated in six additional Form U4 amendments filed between June 30, 2014 and March 11, 2015.
51. By supplying HTK with false and misleading information about the basis for his prior suspension pursuant to FINRA Rule 9552, and by signing the Form U4 containing the misleading information, Vaughn willfully caused HTK to file a false and misleading Form U4.
52. As of the filing of this Amended Complaint, the misleading information remains in the DRP section of Vaughn's Form U4.
53. Based on the foregoing, Vaughn acted in contravention of Article V, Section 2 of FINRA's By-Laws, and thus violated FINRA Rules 1122 and 2010.

**THIRD CAUSE OF ACTION
(Misrepresentation to His Firm)
(FINRA Rule 2010)**

54. The Department realleges and incorporates by reference paragraphs 1 through 53 above.
55. FINRA Rule 2010 requires members and associated persons to observe high standards of commercial honor and just and equitable principles of trade.
56. Vaughn provided HTK with a signed letter dated April 30, 2014 wherein he wrote, in part, that he had "never received [FINRA's] request for information," and "upon learning of the request for information, respondent immediately provided the requested information."

57. Vaughn had received FINRA's request for information no later than November 6, 2013.
58. Vaughn did not provide a response to FINRA's request for information until March 17, 2014 and more than two months after he was suspended from association with a FINRA member firm under FINRA Rule 9552.
59. By providing false and misleading information to HTK in a signed letter dated April 30, 2014, Vaughn violated FINRA Rule 2010.

FOURTH CAUSE OF ACTION

(Willful Failure to Timely Amend Form U4)

(Article V, Section 2 of the FINRA By-Laws and FINRA Rules 1122 and 2010)

60. The Department realleges and incorporates by reference paragraphs 1 through 59 above.
61. Article V, Section 2 of FINRA's By-Laws requires that every application for registration be kept current at all times by supplementary amendments and that such amendment to the application be filed not later than 30 days after learning of the facts or circumstances giving rise to the amendment.
62. Question 14M of the Form U4 asks, "Do you have any unsatisfied judgments or liens against you?" If an affirmative answer is given to Question 14M, the registered person is required to provide details about the judgment or lien.
63. On or about August 24, 2010, while Vaughn was associated with Commonwealth, the State of Ohio filed two tax liens against him in the amounts of \$94,494 and \$137,938.
64. On November 16, 2010, Commonwealth notified Vaughn that the firm had discovered the two Ohio state tax liens filed against him through routine credit monitoring, reminded him

of his obligation to disclose the liens on his Form U4, and requested that Vaughn provide information and documentation regarding the liens.

65. Vaughn did not provide Commonwealth with any documentation relating to his two Ohio state tax liens until May 9, 2011.
66. An amended Form U4 disclosing Vaughn's two Ohio tax liens was filed on August 12, 2011.
67. The August 12, 2011 Form U4 amendment contained Vaughn's electronic signature dated July 11, 2011.
68. The State of Ohio tax liens remained unsatisfied until February 18, 2014.
69. Vaughn willfully failed to amend his Form U4 to disclose the material fact that two Ohio state tax liens had been filed against him.
70. Based on the foregoing, Vaughn acted in contravention of Article V, Section 2(c) of FINRA's By-Laws, and thus violated FINRA Rules 1122 and 2010.

FIFTH CAUSE OF ACTION

(Willful Failure to Timely Amend Form U4)

(Article V, Section 2 of the FINRA By-Laws and FINRA Rules 1122 and 2010)

71. The Department realleges and incorporates by reference paragraphs 1 through 70 above.
72. Question 14D(1)(b) of the Form U4 asks, "Has any other Federal regulatory agency or any state regulatory agency or *foreign financial regulatory authority* ever: . . . *found* you to have been involved in a violation of *investment-related* regulation(s) or statute(s)?" [emphasis in original].

73. Question 14D(1)(d) of the Form U4 asks, “Has any other Federal regulatory agency or any state regulatory agency or *foreign financial regulatory authority* ever: . . . entered an *order* against you in connection with an *investment-related* activity?” [emphasis in original].
74. If an affirmative answer is given to Question 14D(1)(b) or 14D(1)(d), the registered person is required to provide details about the finding or order in the appropriate DRP.
75. On or around August 23, 2011, while Vaughn was associated with Commonwealth, the State of Ohio Department of Insurance issued a subpoena for Vaughn to appear at the Department of Insurance for an interview on September 26, 2011, in connection with outstanding tax lien judgments with the state of Ohio in the amounts of \$7,718.43, \$94,663.37 and \$138,184.70.
76. Vaughn did not appear for the interview on September 26, 2011, as directed by the subpoena.
77. On or around October 19, 2011, the State of Ohio Department of Insurance sent Vaughn a Notice of Opportunity for Hearing. The State of Ohio Department of Insurance alleged three counts in the Notice of Opportunity for Hearing.
78. Count one in the Notice of Opportunity for Hearing stated, “Vaughn has several outstanding tax lien judgments with the state of Ohio. The tax judgments are in the amount of \$7,718.43, \$94,663.37 and \$138,184.70. Section 3905.14(B)(14) of the Revised Code provides the Superintendent may revoke any license of an insurance agent for failing to comply with any official invoice, notice, assessment, or Order directing payment of state or local income tax, state or local state tax, or worker’s compensation premiums.”

79. Count two in the Notice of Opportunity for Hearing stated, “[o]n or about August 23, 2011 Vaughn was issued a subpoena from the Department to appear at the Department for an interview on September 26, 2011. Vaughn did not show up as directed by the subpoena. Section 3905.14(B)(2) of the Revised Code provides the Superintendent may revoke any license or an insurance agent for violating or failing to comply with any insurance law, rule, subpoena, consent agreement or Order of the Superintendent.”
80. Count three in the Notice of Opportunity for Hearing stated, “[t]he allegations contained in Count One and Count Two are hereby incorporated as if fully rewritten herein. Section 3905.14(B)(9) of the Revised Code provides the Superintendent may revoke any license of an insurance agent for demonstrating incompetence, untrustworthiness or financial irresponsibility, in the conduct of business in this state.
81. On March 9, 2013, while Vaughn was associated with Commonwealth, Vaughn signed a consent order with the State of Ohio Department of Insurance, admitting that he violated Section 3905.14(B)(14) of the Ohio Revised Code.
82. Vaughn did not notify anyone at Commonwealth that he signed the consent order, and did not update his Form U4 to disclose the consent order.
83. On or around August 15, 2013, Vaughn completed a “Business and Personal History Form” in connection with his application for employment with HTK and Penn Mutual Life Insurance Company. Under the Background Information section of the form Vaughn answered “no” to the question, “Have you EVER been the subject of any . . . disciplinary action taken by any regulatory authority.” An affirmative answer would have required Vaughn to provide information and supporting documentation about the disciplinary action. The Background Information section contained a disclaimer written in bold,

underlined writing, stating, “***IMPORTANT*** Failure to fully disclose an event may cause the applicant to be ineligible for association with the Company.”

84. In April 2014, HTK hired Vaughn and filed his initial Form U4 with FINRA on April 29, 2014. The Form U4 contained Vaughn’s signature dated April 14, 2014.
85. Vaughn answered “no” to Disclosure Questions 14D(1)(b) and 14D(1)(d) on the April 29, 2014 initial Form U4.
86. On January 4, 2016, HTK received an inquiry from the State of Ohio Department of Commerce Division of Securities, dated December 23, 2015, requesting information related to why Vaughn’s Form U4 did not disclose under Disclosure Questions 14D(1)(b) and/or 14D(1)(d) his State of Ohio Department of Insurance consent order from May 2013.
87. On February 4, 2016, HTK obtained a copy of the consent order through the State of Ohio Department of Insurance website.
88. On February 16, 2016, HTK filed a Form U4 amendment for Vaughn disclosing that he executed a consent order with the State of Ohio Department of Insurance by answering “yes” to Disclosure Questions 14D(1)(b) and 14D(1)(d) and providing details in the appropriate DRP.
89. On February 22, 2016, HTK terminated Vaughn’s employment.
90. On March 2, 2016, HTK filed a Form U5 with FINRA terminating Vaughn’s registration with the firm. The Form U5 stated that HTK terminated Vaughn “for failing to disclose a Consent Order he executed with the Ohio Insurance Department when he joined the member firm.”

91. Vaughn willfully failed to timely amend his Form U4 to disclose the material fact that he had executed a consent order with the State of Ohio Department of Insurance.
92. Based on the foregoing, Vaughn acted in contravention of Article V, Section 2 of FINRA's By-Laws, and thus violation FINRA Rules 1122 and 2010.

SIXTH CAUSE OF ACTION
Failure to Respond to Requests for Documents and Information
(FINRA Rules 8210 and 2010) (2016 Post-Complaint Requests)

93. The Department realleges and incorporates by reference paragraphs 1 through 92 above.
94. On February 10, 2016, the Department of Enforcement ("Enforcement") sent Vaughn a post-complaint request for documents information, pursuant to FINRA Rule 8210, to his counsel by certified mail and email. The letter asked that Vaughn provide documents and information related to his Amended Answer. Specifically, the letter asked that Vaughn provide documents and information related to his responses to Paragraphs 33, 61 and 63 in his Amended Answer. The letter required a response by February 24, 2016, which was extended to March 9, 2016 at the request of Vaughn's counsel.
95. The certified letter was delivered to Vaughn's counsel on February 19, 2016.
96. On March 9, 2016, Vaughn provided an incomplete response to the February 10, 2016, request. Specifically, Vaughn failed to provide documentation evidencing the exact dates and amounts of payments he made for tax liabilities he owed to the state of Ohio for tax years 2005 through 2010, and information about what if any taxes his former wife owed and failed to pay that resulted in the tax liens filed against him by the state of Ohio for tax year 2005.

97. On March 22, 2016, Enforcement sent Vaughn a follow-up request letter, pursuant to FINRA Rule 8210, that identified the deficiencies in his response to the February 10, 2016 request.¹ The letter was sent by certified mail to Vaughn's residential CRD address and by email to jeffavaughn@yahoo.com. The letter required a response by April 5, 2016.
98. The certified letter was delivered on March 25, 2016, and was signed for by an unknown party.
99. Vaughn did not respond to the March 22, 2016 request by April 5, 2016.
100. On April 6, 2016, Enforcement sent Vaughn another follow-up request letter, pursuant to FINRA Rule 8210, by certified mail to his residential CRD address and by email to jeffavaughn@yahoo.com seeking the same information as the March 25, 2016 and February 10, 2016 requests. The letter required a response by April 20, 2016.
101. The certified letter was delivered on April 9, 2016, and was signed for by Vaughn's wife, Lindsey Vaughn.
102. Vaughn did not respond to the April 6, 2016 request by April 20, 2016.
103. As of the date of this Amended Complaint, Vaughn has not provided a complete response to the February 10, 2016 post-complaint Rule 8210 request. He has also failed to provide any response to the March 22, 2016 or April 6, 2016 post-complaint Rule 8210 request letters.
104. On March 14, 2016, Enforcement sent Vaughn a separate post-complaint request for documents and information, pursuant to FINRA Rule 8210, by certified mail to his

¹ On March 4, 2016, Vaughn's counsel filed a Motion to Withdraw as Counsel with the Office of Hearing Officers. The Hearing Officer granted the Motion to Withdraw as Counsel on March 8, 2016, after which Vaughn acted pro se.

residential CRD address and by email to jeffavaughn@yahoo.com. The letter sought information related to the Consent Order he executed with the State of Ohio Department of Insurance in May 2013. The letter required a response by March 28, 2016.

105. The certified letter was delivered on March 18, 2016, and was signed for by an unknown party.
106. Vaughn did not respond to the March 14, 2016 request by March 28, 2016.
107. On March 29, 2016, Enforcement sent Vaughn a follow-up request letter, pursuant to FINRA Rule 8210, by certified mail to his residential CRD address and by email to jeffavaughn@yahoo.com seeking the same documents and information as the March 14, 2016 request letter. The letter required a response by April 12, 2016.
108. The certified letter was delivered on April 1, 2016, and was signed for by an unknown party.
109. Vaughn did not respond to the March 29, 2016 request by April 12, 2016.
110. On April 13, 2016, Enforcement sent Vaughn another follow-up request letter, pursuant to FINRA Rule 8210, by certified mail to his residential CRD address and by email to jeffavaughn@yahoo.com seeking the same documents and information as the March 14, 2016 and March 29, 2016 request letters. The letter required a response by April 27, 2016.
111. On April 16, 2016, notice of the certified letter was left at Vaughn's residential CRD address because no authorized recipient was available. The certified letter was unclaimed and returned to Enforcement on May 17, 2016.
112. Vaughn did not respond to the April 13, 2016 request by April 27, 2016.

113. As of the date of this Amended Complaint, Vaughn has not provided any response to the March 14, 2016, March 29, 2016 or April 13, 2016 post-complaint Rule 8210 request letters.

114. Based on the foregoing, Vaughn violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed;
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. make specific findings that Respondent's conduct, as alleged in the Second, Fourth and Fifth Causes of Action, was willful; the omitted information was material; and, the omission to state material facts was on a Form U4 application.

FINRA DEPARTMENT OF ENFORCEMENT

Date:

6/21/2016



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